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Global Economic Crisis and Sectoral Imbalance of Indian Economy

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Abstract

The objectives of this paper are to analyses; Indian economy is the second faster growing in the world with increasing GDP growth rate. Since 2008, Indian economy is facing global economic crisis like jobless growth, falling profitability of agricultural, industries and service sector, unemployment etc. Mostly production failed in metal and metal products, leather, automobiles, handloom and power loom handicraft, transport etc sectors suffered from economic crisis. The global economic crisis had an adverse impact on the world economy as well as Indian economy in terms of output losses and rise in unemployment, declining in GDP of agricultural, services and industries sector, declining FDI inflow, increasing fiscal deficit etc.

Key words - Global Economic Crisis, Sub-Prime Mortgages, Gross Domestic Product (GDP), Foreign Direct Investment (FDI).

Introduction

The term financial crisis is applied broadly to a variety of situations in which some financial assets suddenly lose or a large part of their nominal value. In 19th and 20th century many crisis associated with banking, stock markets, currency crisis etc. The financial crisis directly results in loose of paper wealth. But economic crisis affects the whole economy sectors of economy, such as agricultural, industry, service etc. Its adverse effects are seen on declined economic development growth rate, declined rate of employment, declined export, declined investment, declined rate of saving, declined Foreign Direct Investment (FDI) inflow etc.

The global economic crisis started in United States of America mainly due to 'Sub Prime mortgages' that began in December 2007 and resulted in sharp down turn in September, 2008. The active phase of the crisis was 7th August 2007, called as liquidity crisis. During this period, complete evaporation of liquidity. So, it is a major global recession by various systemic imbalances and was sparked by the outbreak of the financial crisis of 2007-08. In those days, the interest rate was slowed down and there was high demand for housing loans. After that, American banks repackaged this debt to worldwide financial instruments called 'collateralized debt obligations' and sold them worldwide. Banks provide to customers repacking of loans, excessive leverage. Than the mismatch took place between financial innovation and banking regulation. So USA economy was affected at first, then the economic crisis spread all over the world.

The impact of financial crisis resulted into sharp increase in oil and food prices, speculative bubble in real estate and equity, subprime loan losses, Lehman Brothers were forced out on the interbank loan market, share and housing prices declined, many established investment and commercial banks in U.S and Europe suffered lot of losses and even faced bankruptcy etc. Since 2008, Indian economy suffered these problems. Due to global economic crisis Indian agricultural, industry and service sectors suffer many problems. This paper focused on main problems of Indian economy. Such as declining Gross Domestic Product (GDP) of growth rate, imbalance of payment and terms and tread, employment, impact on FDI inflows etc.

Research Methodology

I. Objective of the Paper;

1. To study the economic growth rate of global economy
2. To study the impact of global economic crisis on Indian economy.

II. Research Designing; Secondary Data Collection**:** This paper depends upon only secondary data. Secondary data is collected from some related books and journals/periodicals, various reports of government and various web sites related to global economic crisis.

1. Global Economic Situation

Table - 01 Economic Growth and Projections made by the IMF

Regions/Country	2007	2008	2009	2010	2011	2012	2013
World output (at market exchange rate)	4.0	1.4	-2.2	4.2	2.8	2.7	3.1
World output (at PPP exchange rate)	5.4	2.8	-0.6	5.3	3.9	3.5	3.9
Advanced Economies	2.8	0.0	-3.6	3.2	1.6	1.4	1.9
USA	1.9	0.0	-2.6	3.0	1.7	2.0	2.3
Euro zone	3.0	0.4	-4.3	1.9	1.5	-0.3	0.7
Germany	3.4	0.8	-5.1	3.6	3.1	1.0	1.4
France	2.2	-0.2	-2.6	1.7	1.7	0.3	0.8
Italy	-1.3	-5.2	1.8	0.4	-1.9	-0.3	NA
Span	3.6	0.9	-3.7	-0.1	0.7	-1.5	-0.6
Netherlands	3.9	1.8	-3.5	1.6	1.3	-0.5	0.8
Japan	2.2	-1.0	-5.5	4.4	-0.7	2.4	1.5
U.K.	2.7	-0.1	-4.9	2.1	0.7	0.2	1.4
Canada	2.2	0.5	-2.5	3.2	2.4	2.1	2.2
Australia	4.7	2.5	1.4	2.5	2.0	3.0	3.5
Korea (South)	5.1	2.3	0.3	6.3	3.6	3.6	4.0
Taiwan	6.0	0.7	-1.0	10.7	4.0	3.6	4.7
Singapore	8.9	1.7	-1.0	14.8	4.9	2.7	3.9
Emerging and Developing Economies	8.7	6.0	2.8	7.5	6.2	5.6	5.9
Developing Asia	11.4	7.8	7.1	9.7	7.8	7.1	7.5
Latin America	5.8	4.2	-1.6	6.2	4.5	3.4	4.2
Sub-Saharan African	7.1	5.6	2.7	5.3	5.2	5.4	5.3
China	14.2	9.6	9.2	10.4	9.2	8.0	8.5
Asian (5 countries) *	6.4	4.7	1.7	7.0	4.5	5.4	6.1
India	10	6.2	6.6	10.8	7.1	6.1	6.5
Brazil	6.1	5.2	-0.3	7.5	2.7	2.5	4.6
Russia	8.5	5.3	-7.8	4.3	4.8	4.0	3.9
South Africa	5.6	3.6	-1.5	2.9	3.1	2.6	3.3

Note: Asian 5 area Indonesia, Thailand, Philippines, Malaysia and Vietnam. For all countries are the reference period is calendar year, not fiscal year**.**

Source: Update to world Economic Outlook, IMF, July 2012 and WEO database April 2012.

In the era of Globalization financial crisis was seen during last two decades. The crisis of Latin America in the early 1980s and Mexico, Asia and Russia in 1990s, Indian economic crisis occurred in 1991 are the main examples. Since, 2007 the global financial crisis started in USA economy. Global financial crisis emerged in September 2008 with the failure of USA based financial firms and companies. Financial crisis shows its effects throughout the world. Slower growth of USA and EU faced adverse impact on world economy. Above Table-01 shows the Economic Growth and Projections made by the IMF. In case of world output, its growth is 4.0 per cent in 2007. It is declined to 1.4 per cent in 2008. Due to USA subprime the growth rate again come down to (-) 2.2 per cent in 2009. Several economies are help to boost own economy than the growth rate of world output is increased to 4.2 per cent in 2010 and 2.8 per cent in 2011. The growth rate projection made by IMF for 2012 and 2013 i.e. 2.7 per cent and 3.01 per cent respectively.

In case of economic growth rate of advanced economies. It was 2.8 per cent in 2007. Mostly developed economies are suffered from American economic crisis. The growth rate was declined in Zero level in 2008, than it is down turn to negative i.e. (-) 3.6 per cent in 2009. The financial affords made by developed economies for revival of the world economy. So the growth rates of advanced economies are increased to 3.2 per cent in 2010. The UE economy is certainly picking up but the recovery is weaker than excepted. Again it is declined to 1.6 per cent in 2011. Advanced economy's growth rate projected by the IMF for the year of 2012 and 2013 i.e. 1.4 per cent and 1.9 per cent In case of emerging and developing economies, the economic growth rate is 8.7 per cent in 2007 it is declined to 6.0 per cent in 2008. The effect of economic crisis is very severe therefore; the economic growth rate is declined to 2.8 per cent in 2009. After some revival package it is increased to 7.5 per cent in 2010 and 6.2 per cent in 2001. The growth rate of emerging and developing economies projected by IMF for the year of 2012 and 2013 i.e. 5.6 per cent and 5.9 per cent. The impact of global economic crisis on developing Asia, Latin America and Sub-Saharan Africa is not negative but it is declined. In developing Asia, there is heavy population and domestic demand of various goods and services is higher than other developed country. So developing Asia is not more suffered like U.S.A. and E.U. economy. The economic growth rate of developing Asia is 11.4 per cent in 2007. It is declined to 7.8 per cent in 2008 and 7.1 per cent in 2009. USA and EU economy provide revival package for finance intuitions, Banks and other companies. So it's positive effect on Asian economy the economic growth rate is increased to 9.7 per cent in 2010. Again economic growth rate is declined to 7.8 per cent. Developing Asia growth rate projected by the IMF for the year of 2012 and 2013 i.e. 7.1 per cent and 7.5 per cent.

In case of Latin American economic growth rate, it is 5.8 per cent in 2007. It is declined to 4.2 per cent in 2008 and it is (-) 1.6 per cent in 2010.After that the growth rate is increased to 6.2 per cent in 2010. It is declined to 4.5 per cent in 2011. Latin American economic growth rate projected by IMF for the year of 2012 and 2013 i.e. 3.4 per cent and 4.2 per cent Sub-Saharan Africa achieve growth rate 7.1 per cent in the year of 2007. It is declined to 5.6 per cent in 2008 and 2.7 per cent in 2009. Compare to other economies the economic growth rate of Sub-Saharan Africa is not negative. It declined to 5.3 per cent and 5.2 per cent in year of 2010 and 2011. Mostly global economic growth rate is marked slowdown in 2008-2011. The jobs crisis, global unemployment crisis in Euro area, euro debt crisis, lower growth of financial markets these are the remains the begets threat to the world economy. Due to global economic crisis on the global economy and also Indian economy suffered.

2. Indian Economic Situation

Table-02 Growth Rate in GDP (at Factor Cost at 2004-05 Price (In per cent)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10 (1R)	2010-11 (2R)	2011-12 (3R)	2012-13 (AE)
Agricultural, Forestry and fishing	5.1	4.2	5.8	0.1	0.8	7.9	3.5	1.8
Mining and quarrying	1.3	7.5	3.7	2.1	5.9	4.9	-0.6	0.4
Manufacturing	10.1	14.3	10.3	4.3	11.3	9.7	2.7	1.9
Electricity, Gas and Water supply	7.1	9.3	8.3	4.6	6.2	5.2	6.5	4.9
Construction	12.8	10.3	10.8	5.3	6.7	10.2	5.6	5.9
Trade, hotels, Transport, and communication.	12.0	11.6	10.9	7.5	10.4	12.3	7.0	5.2
Financing, Insurance, Real Estate and Business Services	12.6	14.0	12.0	12.0	9.7	10.1	11.7	8.6
Community, Social and Personal Services	7.1	2.8	6.9	12.5	11.7	4.3	6.0	6.8
GDP (at factor Cost)	9.5	9.6	9.3	6.7	8.6	9.3	6.2	5.0

Source: Economic Survey Report. 2012-13 p. 213 **Note : 1R : First Revised Estimate , 2R : First Revised Estimate , 3R : First Revised Estimate , AE : Advance Estimate ,**

The impact of economic crisis on Indian economy such as agriculture and allied sector, financial sector, service sector, high inflation, unemployment, FDI inflows, exports and exchange rates, and the impact manifest itself in several direct and indirect ways. The overall impact the economic crisis was observed of in GDP growth rate, Investment rate, saving rate and international trade. If we observed economic data of Indian economy since 2008' all sectors growth rate is declined. Indian agricultural is a backbone of the economy. It depends upon monsoon. In India, rain does not fall in equally from regions to regions. So the growth rate of agriculture is not constant on the basis of the impact of weak monsoon. Indian economy did not more suffer from global economic crisis. The Indian domestic demand is very high if compared to other developed economies like USA and EU.

Table-02 shows the growth of GDP at factor cost 2004-05 in percentage. The growth rate of agricultural, forestry and fishing is 5.1 per cent in 2005-06. It is declined to 4.2 % in 2006-07. The global economic crisis was started in 2008. In 2008-09 the growth rate of agricultural, forestry and fishing is declined to 0.1 per cent in 2008-09 and 0.8 per cent in 2009-10. Government of India provided agricultural revival package for debt farmers, so its impact the growth rate of agricultural, forestry and fishing is increased to 7.9 per cent in 2010-11. In third revised estimation, it was 3.5 per cent in 2011-12 and in actual estimate it is declined to 1.8 per cent in 2012-13. Growth rate has been reasonably stable despite large weather shocks during 2009 such as deficient south west monsoon and drought or deficient rainfall in some states. The gross capital formation in the agricultural sector is no more increased. So the growth rate of agricultural is declined.

In case of mining and quarrying the GDP growth rate was 7.5 per cent in 2006-07. It is declined to 3.7 per cent in 2007-08 and 2.1 per cent in 2008-09. Export of agricultural commodities is come down, so the growth rate is declined. It is negative in 2011 i.e. (-) 0.6 per cent and 0.4 per cent in 2012-13. The GDP growth rate of manufacturing is 14.3 per cent in

2006-07. It is declined to 10.3 per cent in 2007-08 and 4.3 per cent in 2008-09. Because of declined export of manufacturing goods, declining in IIP. So the growth rate of manufacturing is declined to 1.9 per cent in 2012-13 (advanced estimate). The trend of slower growth rate with the slowdown of economic activity in the industries and agricultural sectors. So the growth rate is declined.

The GDP growth rate of electricity, gas and water supply is 9.3 per cent in 2006-07. It is declined to 8.3 per cent in 2007-08 and 4.6 per cent in 2008-09. Prices of coal and crude oil are increased. So its impact on electricity, gas growth rate is declined. The low production of capital goods of electrical and non electricity machinery this is the main reasons of low growth rate. The GDP growth rate of construction is 12.8 per cent in 2005-06. It is declined to 10.3 per cent in 2006-07. It is shapely declined to 5.3 per cent in 2008-09. It is declined because of global financial crisis and uncertainties about fiscal policy in U.S.A. In Indian economy, the govt. revenues is declined, government and private saving also falling and declining export it's result current account deficit is increasing. The prices of cement and steel is increased, therefore, the growth rate of construction is declined. It is declined to 6.7 per cent in 2009-10. In third estimate, the growth rate of construction is 5.6 per cent in 2010-11 and in advance estimates it is 5.9 per cent in 2012-13.

The GDP growth rate of service sector (trade, hotel and restaurant, transport and communication) is 11.6 per cent in 2006-07; it is declined to 10.9 per cent in 2007-08 and 7.5 per cent in 2008-09. In the second estimation the growth rate of trade, hotel and restaurant, transport and communication is 12.3 per cent in 2010-11 and 5.2 per cent in advance estimation in 2012-13. The growth rate is declined because of strong inflation and slowed consumption demand. The GDP growth rate of financing, insurance, real estate and business services is 14.0 per cent in 2006-07. It is declined to 12.0 per cent in 2007-08. Again it is declined to 9.7 per cent in 2009-10. In second and third estimation the growth rate of GDP is 10.1 per cent and 11.7 per cent in 2010-11 and 2011-12 respectively. In advanced estimation it is 8.6 per cent in 2012-13.

The GDP growth rate of community, social and personal services is 6.9 per cent in 2007-08 it is increased to 12.5 per cent and 11.7 per cent in 2008-09 and 2009-10. Because of domestic demand of these service is increased. But after global economic crisis the growth rate of GDP of community, social and personal services is declined to 4.3 per cent in second estimation in 2010-12 and 6.0 per cent in third estimation in 2011-12. It is increased to 6.8 per cent in actual estimation of 2012-13. Over all GDP growth rate is 9.6 per cent in 2006-07. It is continuous declined to 9.3 per cent in 2007-08 and 8.6 per cent in 2009-10. In second and third estimation the GDP growth rate of community, social and personal services is 9.3 per cent and 6.2 per cent in 2010-11 and 20012. Compare to other years, the GDP growth rate is very lower in 2012-13 i.e. 5.0 per cent in advance estimation. The GDP growth rate of most of the sub sectors like commutations continued to remain high even the after the global economic crisis. The composition of the service sector shows that the trade continues to remain the predominant. The share of real estate ownership and business service that included IT services and construction showed higher growth rate in post economic crisis.

3. Impact of Global Economic Crisis on Foreign Direct Investment

Capital formation is an important determinant of economic growth. Domestic investment adds to the capital stock. FDI fillings gap between saving and investment. In undeveloped and under developing countries the rate of saving is very low, therefore FDI plays an important role in the capital formation. According to International Monetary Fund (IMF) definition, "FDI has three components, viz., equity capital, reinvested earnings and other direct capital". India has historical background of FDI. It is traced back with the establishment of East India Company of the British. In the British era, capital came to India mostly through East India Company. After independence, policy makers designed the FDI policy which is acquiring the advanced technology. But since 1990-91, FDI plays an important role in the process of Globalization. The rapid expansion of FDI is carried out by multinational enterprises (MNEs).

FDI can come into India in two ways i.e.,

1. Automatic Route: FDI in sectors/activities to the extent permitted under the automatic route does not require any prior approval either by the government or the Reserve Bank of India (RBI).

2. Prior Government Approval Route: In the limited category of sectors requiring prior government approval, the proposals are considered in a time-bound and transparent manner by the Foreign Investment Promotion Board (FIPB) under the Department of Economic Affairs, Ministry of Finance.

India received FDI inflows from a number of sources but large percentage of FDI inflows is received from few major countries like Mauritius, USA, UK, Japan, Singapore, Netherlands constitute 66 per cent of the entire FDI inflows to India. The FDI is seen largely in recent time from some selected nations such as, Mauritius, Singapore, USA, U.K, Japan, Netherland, Cyprus, Germany, France, U.A.E etc. From all route FDI inflow in India is 4029 US $ million in 2000-01. It is increased to 20973 US $ million in 2011-12. The growth rate of FDI inflow is 52 per cent in 2001-02 compare to growth over previous year. It is declined to (-) 20 per cent in 2010-11. Due to global economic crisis the FDI inflows is declined. FDI Equity inflows in Service sector 20 per cent. It contributes, telecommunication 8 per cent, 7 per cent in computer software and hardware, 7 per cent in housing and real estate, construction activities 6 per cent, power 5 per cent, automobile industry 4 per cent metallurgical industries 4 per cent, drug and pharm. 3 per cent and petroleum and natural Gas 2 per cent. Share of top investing countries in FDI equity inflows in India and Mauritius with invest in FDI of 41 per cent, Singapore invest 10 per cent, USA invest 7 per cent, U.K invest 6 per cent, Japan invest 5 per cent, Netherland invest 4 per cent, Cyprus invest 4 per cent, Germany invest 3 per cent, France invest 2 per cent and UAE invest 1 per cent to total inflows of FDI equities.

Table-03 Foreign Direct Investment (US $ million)

F. Year (April-march)	**Equity**		**Reinvested earnings +**	**Other capital**	**FDI Flows in the India**		**Investment by (FII's) foreign institutional investors Fund (net)**
	FIPB Route RBI's Automatic Route/ Acquisition Route	**Equity capital of unincorporated bodies**			**Total FDI Flows**	**% growth over previous year**	
2000-01	2339	61	1350	279	4029	-----	1847
2005-06	5540	435	2760	226	8961	48	9926
2006-07	15585	896	5828	517	22826	146	3225
2007-08	24573	2291	7679	292	34835	53	20328
2008-09	27329	702	9030	777	37838	09	(-)15017
2009-10(p)*	25609	1540	8669	1945	37763	(-) 0.2	29048
2010-11(p)*	19430	874	9424	652	30380	(-)20	29422
2011-12(p)	17370	73	2405	1125	20973	---	2191
Cumul. Total	149700	7813	53987	7643	219143	--	102456

(P) = provisional , (p)*= data in respect of re-invested earnings and other capital for the year 2009-10 and 2010-11 are estimated as average of previous tow year. Ref. Databook for DCH. 1 st November 2011, p 55

Since 1991 most of the FDI coming through the Government Route. Government route is the strict monitoring of the FDI approvals. Therefore, the FDI coming through RBI/FIPB Route. Table-03 shows the FDI through various routes. In case of FIPB route, through automatic route /acquisition route total FDI came to 2339 US $ million in 2000-01. It is increased to 15585 US $ million in 2006-07. After 2008-09, FDI inflows were declined. In 2008, it was 27329 US $ million, it was declined to 25609 US $ million in 2009-10, it was 19430 US $ million in 2010-11 and 17370 US $ million in (provisional) in 2011-12. Since Global Economic Crisis the FDI inflows via FIPB/RBI/ Automatic route and Acquisition route is declined. In case of equity capital of unincorporated bodies, the trend of FDI is increasing in the period of 2000-01 to 2007-08. In 2000-01 it was 61 US $ million.. It is increased to 2291 US $ million in2007-08. Since 2008-09, the trend of equity capital into FDI is declined. In 2008-09, it was702 US $ million, it is come down to 73 US $ million in 2011-12(Provisional). In case of reinvested earning coming into FDI was 1350 US $ million in 2001-02, it is increased to 9030 US $ million in 2008-09. It is declined to 2405 US $ million in 2011-12. Other capital trend is increasing. In 2000-01, it was 279 US $ million. It is increased to 1125 US $ million in 2011-12. Total FDI inflows in India are increasing. In 2000-01, total FDI was 4029 US $ million, it is increased to 6051 US $ million in 2004-05 and 22886 US $ million in 2006-07. Since 2008-09, total FDI inflows are declined. In 2008-09, it was 37838 US $ million, it is declined to 37763 US $ million in 2009-10, 30380 US $ million in 2010-11 and 20973 US $ million in 2011-12 (Provisional). Growth rate of FDI inflows is also declined. In 2008-09 it was 9 per cent, it is declined to (-) 0.2 per cent in 2009-10 and (-) 20 per cent in 2010-11. In case of Foreign Institutional investors Fund (FIIs), it was 1847 US $ million in 2000-01, it is increased to 29422 US $ million in 2010-12.Due to global economic crisis total FDI inflow is declined. But in India best opportunities to FDI investment are in power generation, infrastructure, drug and pharmaceuticals, constrictions activities, food processing, automobile sectors etc.

Table-04. Growth in Employment in India (* UPSS)

Sector	**1993-94 to 1999-00**	**1999-00 to 2004-05**	**2004-05 to 2009-10**
Primary	**0.05**	**1.40**	**-1.63**
Mining and quarrying	-2.11	2.41	3.00
Manufacturing	1.62	5.06	-1.06
Utilities	-5.89	3.22	1.02
Construction	6.38	8.18	11.29
Secondary	**2.44**	**5.83**	**2.46**
Trade, hotel ling	6.28	4.01	1.10
Transport & communication	5.09	5.23	2.14
Financing, Insurance, Real estate and business service	5.28	9.62	5.77
Community social and personal service	-1.48	2.71	0.99
Tertiary sector	**2.85**	**4.08**	**1.59**
All Non agricultural	2.68	4.81	2.14
Total	**1.04**	**2.81**	**0.22**

Ref. Growth and structure of employment in India. Long-Term and Post- reform Performance and the Emerging Challenge , by *T.S. Papola, Partha Pratim Sahu,* March 2012 , ***UPSS**: Usual Principal and Subsidiary Status includes, besides UPS, those available but unable to find work on a subsidiary basis, during a year.

Indian economy is the faster growing economy in the world with increasing GDP growth rate, the second faster growing country in the world after China. Since 2008 economy is not provided sufficient jobs and falling profitability of Indian industries and also service sector. Therefore, industry and service sector led to cut jobs in the area of metal and metal products, information technology, gems and jeweler, leather, automobiles, handlooms and power loom, transportation etc suffered impact of economic crisis on job losses. Table No.04 shows the growth rate of employment in India during 1993-94 to 2009-10. Indian economy depends upon agriculture. Therefore it is called the backbone of economy. In case of primary sector, the growth rate of employment was (-) 2.11 per cent in the period of 1993-94 to 1999-2000. It was increased to 1.40 per cent in 1999-200 to 2004-05. But since 2008, the Indian economy faced problems of global economic slowdown. Therefore, the growth rate of employment is declined to (-) 1.63 per cent in 2004-05 to 2009-10.

In case of secondary sector, the growth rate of employment in India was 2.44 per cent in the period of 1993-94 to 1999- 2000. It was increased to 5.83 per cent in the period of 1999-2000 to 2004-05. But it is declined to 2.45 per cent in the period of 2004-05 to 2009-10. The growth rate of employment in tertiary sector was 2.85 per cent in the period of 1993-94 to 1999-2000. It was increased to 4.08 per cent in the period of 1999-2000 to 2004-05. Due to economic slowdown, the growth rate of employment of tertiary sector is declined to 1.59 per cent in the period of 2004-05 to 2009-10. If we observed overall growth rate of employment in India. In the period of 1993-94 to 1999-2000, it is seen as 1.04 per cent which increased to 2.81 per cent in the period of 1999-2000 to 2004-05. It is declined to 0.22 per cent in 2004-05 to 2009-10.

4. Impact on the India's Foreign Trade

Primary sector exported agricultural and allied products such as fruits and dry fruits, vegetable, nuts, flowers, dairy products, poultry items, and fishery items. Industries sector exported manufactured goods such as leather and manufactures, chemicals and related products, engineering goods, textiles and textile products, gems and jewellery, handicrafts etc. Service sector exported various services like insurance, banking, IT etc. Mostly direction of Indian export and import is observed with EU, USA, Asia, Japan, China, Asian country and SAARC country on a large scale. Imports of principal commodities is petroleum, petroleum products and related material, bulk consumption goods , capital goods , which are mainly export related items etc. India`s economy is now much more globally integrated as merchandise trade which contribute about 10.2 per cent of the GDP in 2011-12**.**. As per WTOs International Trade Statistics 2010 in merchandise tread, India is the 20th largest exporter in the world with share of 1.4 per cent and the 13th largest importer with a share of 2.1 per cent in 2010. India's merchandise export reached to US$ 251.14 billion in 2010-11. Export reached to US$ 304 billion in 2011-12 and Import reached to US$ 479 billion in 2011-12. Since 2007-08, slowing down of USA economic and Euro area faced major financial crisis. As a result, India's short term growth prospects have also been affected. The performs of export, import and balance of trade during 2006-07 to 2011-12 (April-Dec) is given in the table below.

Table-5. India's foreign Trade: (Value in Rs. crores)

Year	Export	Growth	Import	Growth	Trade Balance
2006-07	5,71,779	25.28	8,40,506	27.27	-2,68,727
2007-08	6,55,864	14.71	10,12,312	20.44	-56,448
2008-09	8,40,755	28.19	13,74,436	35.77	-5,33,680
2009-10	8,45,534	0.57	13,63,736	-0.78	-5,18,202
2010-11(P)	11,42,649	35.14	16,83,467	23.45	-5,40,818
2011-12 (April-Dec)	10,24,707	29.86	16,51,240	34.46	-6,26,533

Source: Annual Report-2011-12, Ministry of Commerce and Industry. Govt. of India.

Above table shows the trend of India's foreign trade. In 2006-07 the growth rate of export trade is 25.28 per cent; it is declined to 14.71 per cent in 2007-08. It is increased to 28.19 per cent in 2008-09. The high growth rate of export in pre global economic crisis but after meltdown the growth rate of export is declined. In 2009-10, it was declined to 0.57 per cent. The foreign demand of various goods and services is declined due to global economics crisis. In 2010-11 growth rate of export is increased to 35.14 per cent and in 2011-12 it is 29.86 per cent (provisional). Mostly crude materials except fuels and manufactured goods contribute to the export commodities. Machinery and transport equipment, food and food articles and various services contribute to high growth of export. Import growth is higher than the export growth. Because petroleum import is higher about 1.7 per cent of GDP and import of Gold is increased about $ 16.6 billion. It is 2.6 per cent of GDP. Therefore the Current Account Deficit is increasing.

According to above table-05 the growth of import is 27.27 per cent in 2006-07. Due to global financial crisis it is decline to 20.44 per cent in 2007-08. After that the euro reason crisis is rising and so the import growth is negative i.e. -0.78 %. In 2010-11 (provisional) it is increased to 23.45 per cent. In case of deficit in trade balance, in 2006-07 trade balance was Rs (-) 2,68,727 crores. It is increased to Rs.(-) 5,33,680 crores in 2008-09. In peak period of economic crisis trade deficit balance is faster going into negative i.e. (-) 5,18,202 crores in 2009-10 and (-) 5,40,818 crores in 2010-11.

5. Impact of Global Economic Crisis on Fiscal Position of India

The IMF fiscal monitor, April 2012, shows that among emerging markets economies, India is the most tresses in term of current borrowing need of Government that is the fiscal deficit. Fiscal imbalance is an important factor. It contributes to the weak investment rate, negative mind of foreign investors, high inflation rate, low aggregate demand, imbalance of tread, high global crude oil prices, industrial slowdown etc. Improvement and widening spread of tax base and prioritization of expenditure on various development activities. This is the key sources of reducing in the fiscal deficit. Now India have introduced of the General Sales Tax on goods and services (GST). This is the big milestone in the path of tax reforms.

Table-6. Trend in Deficit of central Government (as per cent of GDP)

Year	Revenue Deficit	Fiscal Deficit	Primary Deficit	Revenue Deficit as % of Fiscal Deficit.
2006-07	1.9	3.3	-0.2	56.3
2007-08	1.1	2.5	-0.9	41.4
2008-09	4.5	6.0	2.6	75.2
2009-10	5.2	6.5	3.2	81.0
2010-11	3.2	4.8	1.8	67.5
20111-12 (BE)	3.4	4.6	1.6	74.4
2011-12 (P)	4.3	5.7	2.6	75.5
2012-13(BE)	3.5	5.1	1.9	68.2

Source: Economic Survey- 2012-13. P. 57

Table-6, Shows the trend in deficit of central Government. In case of revenue deficit as percent of GDP, it was 1.9 per cent in 2006-07; it was declined to 1.1 per cent in 2007-08. The revenue deficit as percent of GDP is increased to 4.5 per cent in 2008-09 and 5.2 per cent in 2009-10. Due to adverse economic crisis, sharp declining in real GDP growth in particularly in the industry sector, and other reason are higher inflation, bad patch of financial marker situation, continues over expenditure on crude oil and fertilizer prices these factors affecting on high deficit. Post FRBA act, the revenue deficit is declined to 3.2 per cent in 2010-11. It is lightly increased to 3.4 per cent in 2010-11 and 4.3 per cent in 2011-12 (BE). In case of fiscal deficit, as percent of GDP is 3.3 per cent in 2006-07.Due to global economic crisis the fiscal deficit as percent of GDP is increased to 6.0 per cent in 2008-09 and 6.5 per cent in 2009-10. It is declined to 4.8 per cent in 2010-11 and 4.6 per cent in 2011-12 (BE). In case of revenue deficit as percent of fiscal deficit is increased. It is 75.2 per cent in 2008-09 and 81.0 per cent in 2009-10. It is 74.4 per cent in 2011-12 (BE) and 68.2 per cent in 2012-13 (BE).

Conclusion

Indian economy is the second faster growing in the world with increasing GDP growth rate. Since 2008, Indian economy is facing global economic crisis like jobless growth, falling profitability of agricultural, industries and service sector, unemployment etc. Mostly production failed in metal and metal products, leather, automobiles, handloom and power loom handicraft, transport etc sectors suffered from economic crisis. The global economic crisis had a adverse impact on the world economy as well as Indian economy in terms of output losses and rise in unemployment, declining in GDP of agricultural, services and industries sector, declining FDI inflow, increasing fiscal deficit etc. The Growth rate of agricultural GDP is declined. It was 5.8 per cent in 2007-08, it is declined to 1.8 per cent in 2012-13 (Actual Estimate) therefore it is need to boost agricultural productivity. It is an argent need to more investment in farm research, rural infrastructure, providing better access to high value markets, better credit facilities and input supply. For sustainable agricultural and improvement of agricultural growth rate, it is need to improve in fertile land and soil, and control land and water degradation, soil salinity, water logging etc. Therefore, it will help to increase agricultural productivity. India has opportunities to improve its growth rate of GDP of Service sector. Such as tourism and health tourism, export of IT services. It is needed to boost export of goods and services to improvement in revenue and reduce fiscal deficit. India has more chance to generating more employment in rural as well as urban area. The impact of economic crisis on the Indian economy was relatively less severe due to lower dependency on export. In case of service sector, then fall in external demand is weak in the crisis period but during the second stage of crisis, the contribution of service sector to GDP is increased. It is possible to higher productivity in service sector to sectorally link with productivity chain. In short Indian economy is not much suffered from global economic crisis. Because of Indian domestic demand is very high if compared to other developed economies like USA and EU.

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